

Hole in Medicaid funding must be plugged

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The recent scare tactics launched by the Mississippi Hospital Association (MHA) should not distort the one central truth in the current debate over one critical facet of Medicaid funding: Governor Barbour's plan maintains Medicaid funding that is absolutely essential for people in this state who most need the help.

It's well known our Medicaid program is facing a severe budget shortfall for the current fiscal year and is asking for a significant increase in revenues for FY 2009. This shortfall was not unpredictable. Last year, Medicaid asked the Legislature to provide it with \$569 million in funding for FY 2008; the Legislature appropriated \$513. Additionally, Medicaid asked the Legislature to specifically set a rate for the assessment of hospital gross revenue in order to generate additional sources of non-federal funding for the program.

Once the agency determines that a deficit situation exists, State law requires that we implement cost containment strategies in order to avoid exceeding the limits of its appropriation. The Division of Medicaid (DOM) and the Office of the Governor have repeatedly stated that the agency has no desire to reduce services to its beneficiaries or eliminate recipients. Our agency has suggested reducing reimbursement rates to providers as well as implementing changes based on prudent business practices in order to bring down the costs of the program to survive the remainder of FY 2008. Additionally, some of these cost containment measures will reduce FY 2009 and future expenditures. A significant piece of DOM's proposal includes gross revenue assessments from hospitals.

We need to fill a funding gap by the fairest, most equitable method possible. In my view, that means reallocating provider assessments paid by our hospitals that were originally developed by the Mississippi Hospital Association and in place for nearly 15 years – except this time make the assessments apply to both public and private hospitals. The proposed hospital revenue assessment will allow hospitals to maintain \$375 million of total Medicaid medical services payments without a reduction in services to beneficiaries.

Why the need for change? The federal government, through the Centers for Medicare and Medicaid Services, has forced Mississippi Medicaid to stop using certain funds as state Medicaid match money. Because of the ruling, we need to replace the \$90 million that was previously provided solely by public hospitals to match \$285 million of federal funds. These funds are used to pay regular Medicaid claims, so all hospitals – including the private hospitals – have benefited from this system even though only some public hospitals provided the matching funds.

The plan approved by the Legislature long ago was proposed by the Mississippi Hospital Association to use funds provided by public hospitals to match both federal Disproportionate Share Hospital (DSH) payments and other standard Medicaid claims payments. As far back as President Clinton's time in office, the federal government warned Mississippi and almost every other state that they were closely examining these types of financing schemes.

The Legislature has been briefed many times, and after the federal government disallowed Mississippi's system in the summer of 2005, the Legislature used \$225 million in one-time federal funds made available through Katrina supplemental funds in Fiscal Years 2006, 2007, and 2008 with the understanding that Medicaid would implement a new financing program. That federal money is gone. So now we have no choice but to put in place a long-term solution.

During the 2001 regular session, MHA and its member hospitals lobbied the Legislature to create the Upper Payment Limits Program (UPL) which provides millions in annual Medicaid payments to hospitals in addition to the hospitals' regular inpatient and outpatient Medicaid reimbursements. Because Mississippi did not have sufficient general funds to put up the state's portion of the UPL payments to hospitals, MHA suggested, and the Legislature enacted, a revenue assessment on hospitals. In so doing, Mississippi followed other states in financing the state's share of the supplemental payments by securing funding from the hospitals.

Compared to the financing system that was in place since the early 1990's, the majority of public hospitals and many private hospitals would receive a net increase in Medicaid revenue as a result of replacing this funding source with additional gross revenue assessments. Most importantly, these changes will allow us to continue to draw down \$3 in federal matching funds for each and every state dollar we put up.

To accomplish this, the plan adjusts the existing 0.35% gross revenue assessment on hospitals. The Hospital Association and some of its political supporters have called this a tax on sick people, but it is no more a tax on sick people today than when it was when the Hospital Association first suggested the approach years ago. The truth is, it is a way of keeping Medicaid a viable health option for our Mississippians who depend on it.

Governor Barbour has proposed a clear, logical plan that will provide access to quality health-care care for the poorest patients in our state. This plan provides the most benefit to the hospitals that serve the greatest number of Medicaid patients, such as the University of Mississippi Medical Center and smaller public hospitals. Large, private and more profitable hospitals that serve fewer Medicaid patients do not fare as well under this plan, though they will benefit from the \$285 million in federal funds the plan will provide.

Using assessments paid by health-care providers to fund state medical services is a tried and tested method employed by several states for a number of years. Mississippi followed the lead of these other states in establishing provider assessments to fund our Medicaid program. Indiana, Illinois, Kentucky, New Jersey, Massachusetts, Michigan, Utah, and Wisconsin all permit their respective health-care regulatory agencies to impose an assessment at a rate fixed by the agency.

Suffice it to say both the Governor's Office and Medicaid are committed to finding a viable solution to the funding shortfall. We remain open to other options and are continuing to meet with public and private hospitals to evaluate alternatives to the gross revenue assessment.

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